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## Mexico

## Avocado

## Annual Report

## 2008

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**Report Highlights:**

Mexican Hass avocado production for MY2008/09 is expected to reach a record 1.15 million metric tons (MMT). Meanwhile, Hass exports are forecast to reach 320,000 MT, of which approximately 230,000 MT will be exported to the United States. Exports of California Hass avocados to Mexico are forecast at 400 MT.

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Includes PSD Changes: Yes

Includes Trade Matrix: Yes

Annual Report

Mexico City [MX1]

[MX]

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**EXECUTIVE SUMMARY**

Mexican Hass avocado production for MY2008/09 is expected to reach a record 1.15 million metric tons (MMT). Meanwhile, Hass exports are forecast to reach 320,000 MT, of which approximately 230,000 MT will be exported to the United States. The current turmoil in the world economy is a key factor that could impact the avocado sector. However, Post believes that the industry is well-positioned to weather a possible drop in international avocado prices and continue the growth in consumption and export levels. The development of new market niches in the EU and Japan would also help aid the avocado industry.

## PS&amp;D TABLE

Avocados, Fresh Mexico	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Jan 2006			Market Year Begin: Jan 2007			Market Year Begin: Jan 2008		
	Annual Data Displayed	New Post Data		Annual Data Displayed	New Post Data		Annual Data Displayed	Jan Data	
Area Planted	112,700	112,700	112,770	117,000	117,000	117,307	0	0	122,000
Area Harvested	110,000	110,000	103,436	110,000	110,000	109,411	0	0	110,000
Bearing Trees	0	0	0	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0	0	0	0
Total No. Of Trees	0	0	0	0	0	0	0	0	0
Production	1,050,000	1,050,000	1,072,063	1,100,000	1,100,000	1,014,587	0	0	1,150,000
Imports	1,300	1,300	897	900	900	393	0	0	400
Total Supply	1,051,300	1,051,300	1,072,960	1,100,900	1,100,900	1,014,980	0	0	1,150,400
Exports, Fresh	248,000	248,000	270,541	300,000	300,000	302,575	0	0	320,000
Fresh Dom. Consumption	763,000	763,000	763,000	765,000	765,000	688,000	0	0	795,400
For Processing	40,300	40,300	39,419	35,900	35,900	24,405	0	0	35,000
Total Distribution	1,051,300	1,051,300	1,072,960	1,100,900	1,100,900	1,014,980	0	0	1,150,400

## PRODUCTION

For MY 2008/09, Mexican Hass avocado production is forecast to reach a record 1.15 million metric tons (MMT), which is 13.35 MT higher than production in MY 2007/08. Sources indicate production will increase due to younger trees coming into full bearing, favorable weather conditions throughout the year and the continued implementation of phytosanitary programs to control pests. Even though there is the potential for harsh weather conditions in Michoacán, during late 2008 and early 2009, producers are confident the blooming stages will not be significantly impacted. Producers also continue to apply the best agricultural practices to ensure the highest quality and food safety of avocados, either for export or for supplying the domestic market. As a result, producers in Michoacán are developing "Food Safety" requirements that would certify that all avocado production and packing is done in the safest way possible. Producers expect to have all the requirements established by June 2010.

Despite the continued presence of good weather conditions, ample water supply and the application of phytosanitary programs during MY 2006/07, production was revised down to 1.014 MMT, which is 7.76 percent lower than the initial forecast. Yields did not increase simply because it was an alternate-bearing year. MY 2006/07 estimates remain unchanged and reflect official data.

Michoacán, which is the world leader in avocado production and exports, accounts for more than 50 percent of the U.S. market share. Thirty percent of the domestic production is currently being exported to the United States.

## CROP AREA

The official forecast for total national area planted for MY 2008/09 is 122,202 hectares, four percent up from the revised MY 2007/08 planted area estimate. In recent years, planted area has increased because there is greater international demand for high-quality Mexican

Hass avocados. Simultaneously, the APHIS list of authorized pest-free municipalities in Michoacán continues to grow. Currently, 18 Michoacán municipalities are certified to export to the United States, and it is expected that a total of 22 municipalities will be certified in the near future. State authorities confirm that Michoacán has devoted roughly 98,000 hectares to Hass avocado production. Michoacán's neighboring states, specifically Jalisco and Mexico, have also increased their planted area. According to state government sources, growers of avocado plants in Michoacán nurseries are focusing their expansion efforts on the untapped markets in other states. Area planted for MY 2006/07 was revised to reflect more recent official data.

Currently, the APHIS-administered export inspection program has certified that 46,243 hectares can be used to export to the United States. However, Michoacán is the only state in Mexico that is allowed to export avocados to the United States. Within Michoacán, the only municipalities that have been certified by APHIS to export are: Acuitzio, Tancitaro, Uruapan, Tingüindin, Salvador Escalante, Nuevo Parangaricutiro, Periban de Ramos, Ario de Rosales, Los Reyes, Apatzingan, Taretan, Tacambaro, Tingambato, Madero, Cotija, Ziracuaretiro, Tuxpan and Turicato.

As previously reported, producers from neighboring states - Mexico and Jalisco - continue to implement phytosanitary and good agricultural practices in their avocado producing areas in the hopes of eventually receiving certification to export to the United States. However, their primary short-term objective is to grow and solidify their market share in Central American and emerging European markets by promoting the quality of Mexican produce. For the most part, their growing practices are similar to those used in the state of Michoacán.

## INPUTS

Despite the relatively high cost of production, producing Mexican Hass avocados has been a profitable activity due to high domestic retail prices and increased exports. The latest information indicates that the cost of production per hectare with irrigation is between \$25,000 and \$35,000 pesos (U.S. \$1,864 - \$2,609). Over the past several years, many producers have implemented SAGARPA's non-mandatory food safety program recommendations. Even though these practices have increased production costs, the majority of avocado farmers in Mexico have implemented the recommended measures because they are aware that such practices elevate the image of Mexican avocados as a sanitary product in foreign markets. Producers consider these practices a medium-long term investment.

## YIELDS

Official data reveals average yields for MY 2008/09 are forecast to be 10.45 MT/ha. The MY 2007/08 yield estimate was revised downward to 9.27 MT/ha as a result of the recent publication of official data. MY 2006/07 remains unchanged at 10.36 MT/ha.

## POLICY

Mexico continues to successfully implement phytosanitary requirements and good manufacturing practices for the transportation of fresh avocados within the country (see [MX2080](#)). Unofficial reports from state officials indicate that the vast majority of Michoacán producers and packers have implemented SAGARPA's recommended good manufacturing practices in order to guarantee the distribution of high quality produce in international and domestic markets.

## CONSUMPTION

Fresh domestic consumption in MY 2008/09 is forecast at 795,400 MT, a 15.61 percent increase over MY 2007/08. This increase in fresh consumption can be attributed to greater production and increased food prices due to the current world economic situation, which has compelled producers to sell to the domestic market instead. In fact, the vast majority of Mexico's avocado production continues to be consumed domestically because avocados are a staple food in most Mexican households. Fresh domestic consumption figures for MY 2007/08 were revised downward due to diminished production and attractive prices in international markets. MY 2006/07 showed no further changes than those previously reported.

Avocado consumption by the processing industry is forecast at 35,000 MT for MY 2008/09. Though data on avocado consumption by the processing industry is either proprietary, or does not exist, industry representatives indicate that it will be consistent with previous levels of MY 2006/07 due to ambitious projects (ie, liofilization) that have been developed within the avocado sector. The significant drop in processing consumption in MY 2007/08 was driven mainly by reduced production, sustained record exports, and the producer's decision to cover the domestic market. Figures for MY 2006/07 remained unchanged.

Despite the fact that developing new market niches (related to extraction and export of avocado oil for the cosmetic industry) is on the up-swing, the export of fresh avocados continues to drive producers due to attractive profits. However, close competition from fresh-produce exporting countries continues to entice producers to extract and export avocado oil products. As previously mentioned, the liofilization, which is a freeze-drying method that preserves the nutritional and organoleptic properties of avocados, is an ambitious project that aims to add high quality avocado products to the export market.

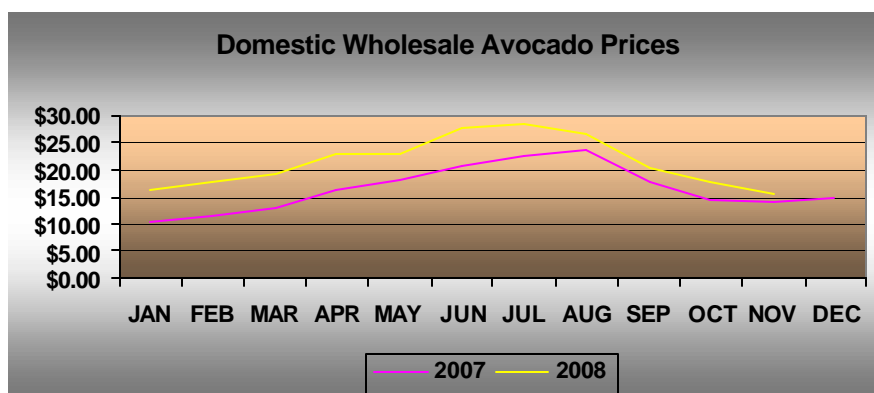
Increased output, new orchards coming into production, and an increased number of certified municipalities will allow producers and exporters to adequately meet both domestic and international demand.

## AVOCADO PRICES

MY 2008/09 export prices are expected to be similar to those from MY 2007/08. According to private sources, there is uncertainty among exporters about the financial capability of purchasers given the overall world economic downturn. However, the industry is confident that prices will be attractive. Export prices in MY 2007/08 were roughly U.S. \$20.00 - \$27.00 per 11.3 kg (25 lbs) box. As of November 2008, export prices range between U.S. \$18.65 - \$22.30 per 11.3 kg box. Also, domestic prices are expected to be similar to those in MY 2007/08. Wholesale domestic prices during CY 2008 have ranged between U.S. \$14.21 - \$25.97 per 12 kg (26.46 lbs) box.

WHOLESALE AVOCADO PRICES		Pesos/kilograms	
	2007	2008	Change %
January	10.40	16.60	59.62
February	11.56	17.60	52.25
March	12.93	19.14	48.03
April	16.25	22.94	41.17
May	18.04	23.13	28.22
June	20.56	27.70	34.73
July	22.73	28.40	24.95
August	23.68	26.63	12.46
September	17.73	20.46	15.40
October	14.52	17.45	20.18
November	14.29	15.66 <sup>①</sup>	9.59
December	14.92	N/A	N/A

Source: Servicio Nacional de Informacion de Mercados  
 2007 Exchange Rate Avg.: U.S.\$ 1.00 = \$ 10.90 pesos  
 November 26, 2008 exchange rate U.S. \$ 1.00 = \$ 13.31 pesos  
<sup>①</sup> As of third week of November



## TRADE

Mexican avocado exports are forecast to reach a record 320,000 MT in MY 2008/09; nearly a six percent increase over the MY 2006/07 figure. This increase is due to a combination of factors, such as the year-round market access to all 50 U.S. states, the decrease in production in Chile and California, and the assumption of a continuous sound financial situation for purchasers in international markets. Michoacán growers currently have the capacity to harvest 10-15 MT/ha if there is no threat of market saturation. Growers and packers have forecast MY 2008/09 avocado exports to the United States at 230,000 MT. Exports to the United States in MY 2007/08 were nearly 215,000 MT, while exports in MY 2006/07 were 166,830 MT.

As of January 31, 2005, Mexican Hass avocados were granted access to all U.S. states except California, Florida, and Hawaii. On February 1, 2007, Mexican Hass avocados were allowed access into all 50 states on a year-round basis. Currently, 25 packers are officially eligible to export Mexican avocados to the United States under the APHIS export program. The main destinations for Mexican Hass avocados within the United States are: Texas, Illinois, New York, Georgia, Colorado, Arizona, Washington, Massachusetts, Maryland, Indiana, Minnesota, Kansas, Oregon, North Carolina, and Florida.

Export figures for MY 2007/08 were revised upward to 302,575 MT due to increased export markets. These higher-than-expected export numbers are due to greater demand from international markets. To this end, growers ceased restrictive harvesting practices once the U.S. market opened January 2005. MY 2006/07 export figures remain unchanged.

Although the majority of avocado exports are destined for the United States, other markets including Japan, Canada, France, and El Salvador are also significant. Unlike the United States, these markets do not require APHIS accreditation.

According to both official and private sources, the export market continues to be profitable to producers, but the domestic market still represents the main business platform for most Mexican avocado farmers. Official data indicates that Mexican avocados were exported mainly to the United States, Japan, Canada, and El Salvador. However, exports to Japan and the EU continue to represent a strategic market niche for producers and packers.

In September 2005, USDA and SAGARPA signed a work plan to allow access for U.S. Hass avocados into Mexico. For the first 12 months of the work plan, exporters were allowed to export to all states except: Michoacán, Jalisco, Morelos, Puebla, and Nayarit. In September 2006, U.S. avocado exporters were officially allowed to export to all Mexican states, but exports continue to be destined mostly for the border region. Reportedly, Mexico will be importing California avocados for processing and then re-exporting back to the United States. As a result, Mexican imports for MY 2008/09 are forecast to be slightly up from those of MY 2007/08 at 400 MT. MY 2007/08 imports were revised downward to 393 MT due to increased international prices during the third quarter of CY 2007. MY 2006/07 figures remain unchanged.

## TRADE MATRIX

AVOCADO	H.S. 0804.40	UNITS: MT	
EXPORTS FOR (JAN-DEC) TO:			
CY 2007		CY 2008 <sup>®</sup>	
U.S.	228,382	U.S.	136,005
JAPAN	24,829	JAPAN	15,058
CANADA	19,604	CANADA	10,595
EL SALVADOR	9,298	COSTA RICA	4,185
OTHER	28,147	OTHER	12,567
TOTAL	310,260	TOTAL	178,410

AVOCADO	H.S. 0804.40	UNITS: MT	
IMPORTS FOR (JAN-DEC) FROM:			
CY 2007		CY 2008 <sup>①</sup>	
U.S.	91	U.S.	329
OTHER	0	OTHER	0
TOTAL	91	TOTAL	329

Source: World Trade Atlas, Mexico Edition.

<sup>①</sup> As of July 2008.

## TRADE POLICY

Currently, Mexican fresh Hass avocados entering the United States are not subject to any duty, but they are compelled to pay a fee of 2.5 cents per pound for promotional purposes (see Marketing section).

Fresh avocado imports (HS 08.04.40.01) from the United States are also not subject to any duty but are subject to phytosanitary and sanitary inspections by SAGARPA.

**MARKETING**

Under the Hass Avocado Promotion, Research and Information Order, an assessment of 2.5 cents per pound is levied on fresh Hass avocados imported into the United States, and the fee is used to finance promotion, research, consumer information, and industry programs. Mexico does not assess a charge against U.S. avocados.